

# Chapter 13

## Evolutionary Learning Organization in a System Orientation of Ethico–Economics

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### ABSTRACT

*A new theory of learning organization bordering evolutionary economics and management is introduced. It is referred to as an evolutionary learning organizational theory of behavior, decision-making, and goals of wellbeing in the larger context of the organization in a systemic sense of organic relations. The structure, functions, and analytical features of such an organization are studied in the context of an epistemological approach in order to lay down the inherent theory. This leads to a mathematical and rigorous explanation of the theory in a comparative and contrasting light with other contributions on learning organizations. The exemplification of the unique theory of evolutionary learning organization is found to exist in Islamic epistemological context. The chapter is made for this particular case within a generalized system model of wellbeing for decision-making of the firm that overarches intra-system and inter-systems at large.*

### OBJECTIVE

What is an evolutionary learning organization? We will explain this concept and its modeled dynamics by invoking the paradigm of integrated and unified decision-making between the ethical and economic parts of organizational management. The resulting model takes up an epistemological and systemic form. It fringes on the borders of

analytical configuration with intellection in the domain of philosophy of science and mathematical formalism. Though some existing paradigms, mainly of Karl Popper (1988), Jackson (1993), George Soros (2000), Edel (1970), and Choudhury (2004) are used to model the ethico-economic form of evolutionary learning organization, the focus here is on a critical examination of several of such works.

DOI: 10.4018/978-1-4666-4884-5.ch013

The objective of this paper is thus to render an alternative model of evolutionary learning in the framework of the epistemology of integrated and unified decision-making, its postulates, and potential application within an institutional framework. The example of the alternative model of evolutionary learning organization is explained for the Islamic case of organization behavior.

The review of the literature is embedded in the discursive text. No separate section is allocated for this.

## **SOME DEFINITIONS**

Some definitions commence our short journey. These are of (i) evolutionary learning; (ii) the objective criterion, namely of wellbeing, representing the institutional ethico-economic worldview; (iii) the nature of unity of knowledge that underlies the idea of integrated decision-making.

## **Evolutionary Learning**

In the tradition of Simon (1960) and Jackson (op cit) evolutionary learning models are based on rational economic behavior of maximizing objective criterion functions under bounded, limited, or incomplete rationality caused by incompleteness of knowledge. While these are commendable approaches in the study of management and organization behavior, the implication of optimization leaves the approach and the methodology to rely on certain completeness of knowledge. Any evolution from a given stage of knowledge to another requires injection of resources and innovation. Yet such implements are exogenously introduced into the model of the underlying bounded rationality. Technology and innovation in such models have for long now remained exogenously driven, not endogenously regenerated within the learning systemic fold of cause and effect. Consequently, in models of the exogenous nature of innovation and technology creative evolution comes to an

end due to the consequences of the maximization objective, assumption of the existence of optimality of resource allocation, and the steady-state nature of equilibrium. These prevail even when the models of Simon's type relating to models of man (Simon, 1957) are carried over and changed over time. That is because unlike Simon's implications, time is never an input of the production function of any kind. Time is treated always as an independent variable connected with change. Yet time in such a case cannot be the cause of change; just only the momentary recorder of change.

Instead, knowledge causes the cause and effect interface in endogenous sequences of innovative change and learning out of these. Thus evolutionary learning is a concept of continuity between deductive and inductive reasoning, and of change; a methodology to describe the history of technological change by means of the inter-causality between the critical variables. In as far as such a definition of evolutionary learning implicating technological change and innovation is strictly and continuously endogenous in nature (Shakun, 1988; Romer, 1986), it denies acceptance of the neoclassical idea of exogenous technological effects, a point emphasized by Shackle (1971).

On the other hand, Myrdal (1958) and Schumpeter's (Gaffard, 2009) innovation theory in economic development being a study of cross-cultural social dynamics interactively mixed with economic factors are better representations of endogenous development models. They explain the role that technology and innovation can play in extending the range of stable and sustainable growth with price stability, and increased output and employment. The organization embedded in such an evolutionary learning behavior of the economy at large transforms by the participatory nature of decision making between institutional members and the wider interactive network. The critical variables inherent in the ethico-economic cross-cultural and social choices of the total decision-making framework of the organization are themselves interactively relational in nature

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